

THE NEXT GENERATION COMMISSION:

LINKING LEARNING TO EARNING IN VERMONT

December 2006

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ATTACHMENTS

- A.** No. 204 of the Acts of the 2005 Adj. Sess. (2006) (Creating the Next Generation Commission)
- B.** Commission Members
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THE COMMISSION AND ITS CHARGE

Demographic experts predict that Vermont's population will age significantly during the next several decades, creating difficulties for employers seeking skilled workers for available jobs. The problem will be exacerbated if large numbers of college-bound and college-educated Vermonters continue to leave the state and are not replaced by similarly educated out-of-state workers. In January 2006, Governor Douglas proposed creation of the Vermont Promise Scholarship program through which he intended "to make college more affordable and keep Vermont's young people here."¹ Upon consideration of the proposal during its 2006 session, the Vermont General Assembly created the Next Generation Commission.²

The nine-member Next Generation Commission consists of four members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Speaker of the House of Representatives, and a chair jointly appointed by those three leaders. The members bring to the Commission a wide range of experience in business, education, and public service.³

The Commission's charge, as set forth in its enacting legislation, is as follows:

(b) The commission shall develop a plan to encourage Vermonters to live and work in Vermont. The commission may consider a broad range of ideas to meet this goal. The range of ideas shall include but not be limited to:

(1) Strategies to ensure that postsecondary education is accessible and affordable for all Vermonters through grants, loans, and scholarships. Funds shall flow directly to the students and their families.

(2) Options such as loan forgiveness, tax incentives, loan repayments, and leveraging federal resources.

(3) The integration, where appropriate, of Vermont's secondary and postsecondary workforce training programs with Vermont's postsecondary institutions.

(4) The use of strategic investments in Vermont's postsecondary education system to:

(A) increase the postsecondary aspiration, continuation, retention, and completion rates of Vermonters;

(B) stimulate specific economic sectors which are particularly appropriate for or unique to Vermont; and

(C) serve critical marketplace needs.

(c) The plan shall include a funding level for implementation, shall identify a funding source, and shall include a system for overseeing use of the funds.

¹ Governor Jim Douglas, State of the State Address (January 6, 2006).

² See Attachment A for the complete text of the 2006 legislation establishing the Next Generation Initiative.

³ See Attachment B for a list of the Commission members.

The Commission met 11 times between August 17, 2006 and December 7, 2006 and heard the testimony of over 100 witnesses.⁴ Staff assistance was provided by Shirley Adams, Maria Belliveau, E. Anne Winchester, and Donna Russo-Savage.

⁴ See Attachment C for a list of the witnesses who testified before the Commission.

EXECUTIVE SUMMARY

Vermont faces critical demographic shifts in the near future and must implement bold strategies immediately if it is to retain its economic vitality. Current predictions forecast that the total number of Vermonters over the age of 65 will double during the next 25 years, but the number of taxpaying adults will remain approximately the same.⁵ Public school enrollments are projected to continue to decline. In addition, even if the high school graduation rates remain stable, the number of students pursuing postsecondary education will likely decrease.⁶ It is estimated that more than two-thirds of the 25 occupations expected to grow the fastest in Vermont between now and 2012 will require postsecondary training.⁷ In contrast, 80 percent of the 25 occupations projected to decline during that period are those requiring only a high school diploma or on-the-job training.⁸ Not surprisingly, experts predict that Vermont employers will find it increasingly difficult to locate skilled workers to fill available jobs.

Even today, one of the most significant barriers to business development in Vermont is the lack of skilled workers.⁹ Although efforts must be made to encourage college-educated Vermonters to live and work in the state, it is equally essential that State policies promote the full economic potential of *every* citizen. Approximately 27 percent of the high school graduating class of 2005 did not plan to pursue postsecondary education or training within six months of graduation. Of these students, 68 percent were not enrolled in a college preparatory or vocational/technical course of study in high school. These young adults are the most likely members of their graduating class to stay in Vermont. They are also among the citizens most likely to be unemployed or underemployed later in life and in need of additional training as older adults.¹⁰

⁵ See, e.g., Attachments D-G for the following four reports: Vermont Department of Labor & U.S. Census Bureau, *Population Growth Projections for Vermont's Working Age Population* (2005); Vermont Department of Labor, *Vermont's Emerging Workforce Challenge* (August 17, 2006); Kavet, Rockler & Associates, LLC, *Economic and Demographic Perspectives from the Joint Fiscal Office* (August 17, 2006); and Art Woolf, *Vermont's Changing Demographics* (December 6, 2005).

⁶ Vermont Student Assistance Corporation ("VSAC"), *Making a Difference in Vermont's Future* (October 3, 2006). See also, Vermont Department of Labor, *Preliminary Summary of 2004-2014 Occupational Employment Projections* (August 17, 2006).

⁷ *Id.*

⁸ *Id.*

⁹ See Attachment H for one page from a presentation of the Vermont State Colleges to the Next Generation Commission on September 26, 2006. In a survey of over 100 Vermont business leaders, workforce issues such as aging, demographics, and skills, were identified as most significant challenge facing business and industry over the next three years (at 38 percent). Additional significant issues (at 14 percent, 12 percent, 12 percent, and 11 percent respectively) were the business climate (permitting, etc.), healthcare and worker's compensation, taxes, and "other."

In addition, the Workforce Development Council (formerly the HRIC) reports that over 70 percent of the employers interviewed by regional workforce investment boards reported that they have passed up opportunities to expand their businesses because they could not find qualified workers.

See also, e.g., Testimony of Kevin Dorn, Secretary of Commerce and Community Development, to the Next Generation Commission on September 19, 2006.

¹⁰ In addition, the statewide longitudinal (4-year) dropout rate was approximately 13 percent for the high school graduating class of 2005. <http://education.vermont.gov>.

Approximately 67.5 percent of Vermont adults who are 25 or older do not have a bachelor's degree,

There is no simple solution to address the demographic trends facing Vermont. Rather, Vermont must approach the future holistically by viewing economic development, workforce development, and education policy as necessarily integrated. It is crucial that Vermont simultaneously implement strategies to expand its skilled workforce, to attract and retain businesses, and to encourage skilled workers to move to the state. It is also important to remember that the demographic and workforce issues facing Vermont are not unique. Looking at the positive side, consideration of bold initiatives implemented in other states and countries can only help Vermont to develop its own strategies.¹¹ Looking at the negative, Vermont will be competing with other places to attract and retain educated workers.

The Next Generation Commission has identified four equally vital components of a unified strategy to encourage Vermonters to live and work in the state and to ensure that postsecondary training and education is accessible and affordable to all. Unless these issues are addressed, all areas of Vermont will suffer. Without a vibrant workforce, the economy suffers; without a strong economy, Vermont is hampered in what it can do for its citizens. A unified strategy, led by a state-wide “Champion,” can succeed only through a fervent, cohesive public and private commitment to invest in the human capital of the state by addressing all four components immediately.

Recommendations:

- 1. Integrate and coordinate the state’s economic development, workforce development, and education system, and appoint a “Champion” with the authority and accountability to ensure implementation.*
- 2. Dramatically increase state funding for postsecondary education and training (scholarships, loan repayment, and workforce development) by implementing bold, innovative financing mechanisms.*
- 3. Provide additional state funding for postsecondary education and training (scholarships, loan repayment, and workforce development grants) while developing the mechanisms in Recommendation #2.*
- 4. Raise postsecondary aspirations by markedly strengthening career awareness education beginning in elementary school. Continue exposure to careers and the need for postsecondary education and training in middle and high schools through technical education, school-to-work initiatives, internships, dual enrollment, and other efforts.*

which breaks down as follows: 10.5 percent do not have a high school diploma; 32 percent have only a high school diploma; 16.6 percent have attended college but do not have a degree; and 8.4 percent have an associate’s degree.

The Commissioner of Labor reports that in October 2006, approximately 13,100 Vermonters were unemployed. This number represents approximately 3.6 percent of Vermont’s total workforce of 368,000.

In addition, the Department of Corrections estimates that approximately 90 percent of incarcerated men under the age of 22 and 60 percent of the entire male incarcerated population dropped out of high school.

¹¹ See, e.g., Attachment I -- Jobs for the Future, *Building Skills, Increasing Economic Vitality: A Handbook of Innovative State Policies* (January 2005).

RECOMMENDATIONS OF THE NEXT GENERATION COMMISSION: LINKING LEARNING TO EARNING IN VERMONT

I. Integration and Coordination of the State's Economic Development, Workforce Development, and Education Systems

A strong, coherent economic development policy is the foundation from which all postsecondary workforce training and education considerations arise. Any proposal designed to encourage Vermonters to live and work here can succeed only if Vermont has a clear economic development strategy designed to create a strong, sustainable economic environment that is linked to its efforts to make the best education and training available to *all* Vermonters. It is therefore imperative that public and private stakeholders approach economic development, workforce development, and education policy as necessarily integrated. Unfortunately, it seems these areas too often operate independently of one another.

There are currently many public and private efforts intended to attract businesses to Vermont, to retain them once they are here, and to match potential employees with available positions.¹² There are also public and private initiatives designed to train unemployed and underemployed persons in the skills needed to acquire a good job.¹³ Although some formal and informal collaboration occurs, there is insufficient coordination of efforts and a lack of awareness of comparable activities. As a result, there is a duplication of effort in some areas,¹⁴ while other needs remain unmet.¹⁵ In addition, workers and employers are often unaware of or confused by what is available, publicly and privately, to help them.

Programs are financed with a patchwork of state, federal, and private funds.¹⁶

¹² One new private initiative is Champlain College's BYOBiz program, which provides support for students to launch a business while they complete their college education. The program's academic requirements provide students with the foundation for their entrepreneurial careers. Mentoring from specialists and the local business community provide them with the business knowledge they need to make their ideas work. <http://www.champlain.edu/byobiz>.

¹³ One example of an innovative private sector approach to creating employment opportunities and training for unemployed and underemployed Vermonters is that of the non-profit company Vermont HITEC. Working in collaboration with the State, Vermont HITEC first approaches businesses to determine both the skills needed in a qualified employee and the number of employees the business would hire if those employees were available. Vermont HITEC then designs and conducts an intensive training course tailored specifically for that job. Successful graduates of the program are ensured a paid apprenticeship with the targeted employer and are mentored during the apprenticeship by Vermont HITEC. <http://www.vhitec.org>.

¹⁴ For example, the Agency of Commerce and Community Development, the Department of Labor, and various private entities independently contact employers to determine their workforce needs.

¹⁵ It would also appear that there is a substantial volunteer network that remains untapped.

¹⁶ See, e.g., Attachment J – Vermont Department of Labor, *Annual Report on Adult Job Training Funding for Fiscal Year 2005*. Despite the fact that the attached report does not represent the entire universe of funding for workforce development and training, it provides a graphic illustration of the varied sources providing tens of millions of dollars in funding to the array of state entities involved in job training and social services. This report was one of the many pieces of information that led the Commission to wonder whether funds are being expended in the most efficient and effective manner.

Funding, especially from federal sources, is often restricted for highly specified purposes or narrowly targeted populations. Many of these federal funds have been decreased dramatically and are projected to decrease significantly in the coming years; Vermont simply cannot continue to rely on a significant federal investment in state workforce training.¹⁷ Even when not externally constrained, funds are distributed according to the unique priorities of individual programs or departments. Funds assisting programs with a high level of demonstrable success, broad-based access, and relative flexibility (such as the Workforce Education & Training Fund (WET Fund)¹⁸ and the Vermont Student Assistance Corporation (VSAC) non-degree grants¹⁹) have historically been woefully insufficient to meet the demand. For example, VSAC typically distributes all of its non-degree grant funds within six or seven months after the beginning of its fiscal year. Better coordination of and communication among programs will result in a more effective use of funds, regardless of their source.

The Commission repeatedly heard compelling testimony that the State's economic vitality rests upon meaningful, continuous career education beginning in elementary school. Nevertheless, it is unclear whether the Vermont Department of Education is actively committed to career education or technical training. The Next Generation Commission is unified in its conviction that any strategy addressing critical demographic and workforce issues in Vermont can succeed only with the significant and proactive participation of the Department of Education.

In order to address the demographic realities facing the state in the coming years, it is crucial that there be a unified public and private commitment to invest in the human capital of the state. It is imperative that all stakeholders – including the Department of Education, the Department of Corrections, social services agencies, and the business

¹⁷ For example, the President's FY07 budget request cut \$2,426,000,000 from key discretionary education and training programs, including a 13 percent reduction in WIA/Employment service programs, a 10 percent reduction in other Department of Labor programs, and an 11 percent reduction in relevant Department of Education programs.

VT-Specific WIA Cuts 2001-2006

	2001-2006 Actual	2001-2006 Inflation Adjusted
Adult	-9.03%	-20.64%
Dislocated Worker	-18.73%	-29.10%
Youth	-32.65%	-41.25%
Wagner-Peyser	-6.42%	-18.36%

Testimony of the Workforce Alliance to the Next Generation Commission on October 24, 2006.

¹⁸ "The Vermont Workforce Education & Training Fund (WETF) promotes workforce development by providing resources for the training and education of Vermont workers, who are, or will be employed by Vermont employers. Grants are awarded on a competitive basis to fund private and public higher education, technical training, and courses in collaboration with business, to enhance the quality of the Vermont workforce and increase the number of highly skilled workers. Training may lead to new jobs, to job upgrades or increased job security." <http://www.labor.vermont.gov>. It received \$334,493 for funding in FY07.

¹⁹ "Any Vermonter enrolled in a non-degree course that will improve employability or encourage further study is eligible to apply for a Vermont Non-Degree Grant. The Vermont Non-Degree Grant is a need-based grant, and if eligible the awards range up to \$885 per term (maximum of two terms per year) for the 2006-2007 academic year."

<http://services.vvac.org/ilwvcw/connect/VVAC/Pay+for+College/Funding+Sources/Grants>.

community -- approach economic development, workforce development, and education policy as necessarily integrated. Vermont must have a clear economic development strategy that is designed to create a strong, sustainable economic environment, to determine workforce needs, and to make the best education and training available to *all* Vermonters. The strategy must be spearheaded by a “Champion” who has the authority and accountability to ensure its development and implementation.²⁰

Recommendation #1: Integrate and coordinate the state’s economic development, workforce development, and education systems, and appoint a “Champion” with the authority and accountability to ensure implementation.

1. Commencing the Work -- A Summit: The Next Generation Commission urges the Governor, the Speaker of the House, and the President Pro Tempore of the Senate to convene a summit immediately of all public and private stakeholders to spearhead development of a clear, integrated strategy for economic development, workforce development, and education policy.

2. Integrated Strategy / Implementation: The Next Generation Commission urges the Governor, the Speaker of the House, and the President Pro Tempore of the Senate to authorize one person or entity to finalize development of the integrated strategy and to coordinate and oversee its implementation (a “Champion”).

a. Integrated Strategy. The final strategy must take a comprehensive, “root-cause” approach to the issues, and must:

* Be based upon a comprehensive review of workforce development and funding strategies used in other states and countries;²¹

* Be based upon a comprehensive review of all public and private economic development and workforce systems and programs in Vermont;

* Include a determination of which programs are lacking in Vermont and which programs are duplicative or are working at cross-purposes;

* Include a plan to address the deficiencies and the duplications;

* Ensure coordination of public and private efforts to attract business to the state, to help existing businesses to remain, and to determine the workforce

²⁰ “Despite the severity of the need, ... some of the policies {implemented in other states} would never have been adopted or implemented without a champion to move the process forward and, in some cases, ensure that a proposal would make it through every step of the process. In most cases, the champion was a high state official – the governor, a legislator, an agency head.” Attachment I (*Building Skills*), p.17.

²¹ See Attachment I (*Building Skills*), particularly the Kansas model. See also Attachment K – summaries of and links to programs in other states provided by the Workforce Alliance.

needs of both potential and current employers;²²

- * Ensure coordination of public and private workforce preparation programs so that any student, employee, or employer can access all information and receive any necessary counseling through one contact point;

- * Ensure better coordination between the State's public and private institutions of higher education and the Department of Economic Development, particularly in regard to alerting alumni living out of state to job and entrepreneurial opportunities in Vermont;

- * Ensure more effective communication between the State's public and private institutions of higher education and the business community;

- * Ensure the expansion of career education and technical training in the K-12 system;

- * Ensure more effective, coordinated marketing of volunteer, internship, job, and entrepreneurial opportunities in Vermont;

- * Be based upon consideration of whether and to what extent the State's public economic development and workforce development systems should be restructured or consolidated;

- * Ensure active participation of the Department of Education and private and non-profit entities in its implementation; and

- * Include sustainable funding mechanisms.

b. The Champion. The Next Generation Commission urges that a Champion be provided with the authority and accountability necessary for final development and implementation of the strategy. Either the Workforce Development Council²³ or the Governor's Interagency Workforce Development

²² The Commission heard repeatedly that one of the most important steps Vermont can take in this regard is to ensure that there is broadband coverage in every corner of the state. Broadband allows small business entrepreneurs to locate anywhere in the state in a manner that is consistent with Vermont's environmental ethic. In addition, broadband promotes the expansion of businesses into areas of the state that have high levels of unemployment and an abundance of available housing. It promotes entrepreneurship and working from home. It also provides Vermonters access to postsecondary education and training programs that are available online. The Commission urges the Governor, the Speaker of the House, and the President Pro Tempore to make it a priority to provide broadband and cellular coverage to *all* areas of the state within the shortest timeframe possible. The Public Service Department's broadband report and recommendations, which were prepared with assistance from Governor's Telecommunications Council and several Legislators, will be available in January 2007. See also footnote 9.

²³ The role of the Workforce Development Council "is to coordinate public and private partners in order to develop a highly skilled workforce that can effectively compete in the regional, national and international economic arenas. Regional Workforce Investment Boards, comprised of public and private sector participants, work to support regional economic development strategies by responding to workforce needs

Committee²⁴ might serve this function. It is essential to the success of the integrated strategy that one of these entities be given necessary authority for its implementation or that a new, cabinet-level position be created to do so.²⁵

The Commission cannot express too strongly how vital the role of the Champion will be in the success of the Next Generation Initiatives. The answer to a problem is never as simple as increasing the level of appropriations. Rather, the key to the demographic and workforce problems facing Vermont is spending more *and* spending more wisely. The appointment of someone who has the authority necessary for final development and implementation of an integrated strategy is crucial to the success of this initiative.

c. Funding / Timing / Reports. Once vested with the authority to finalize and implement the integrated strategy, it is vital that the Champion:

- * Receive sufficient funding to perform all required tasks related to finalizing and implementing the integrated strategy;
- * Perform specified tasks within an established *and rapid* timeline; and
- * Report on a regular basis to the Governor, the Speaker of the House, and the President Pro Tempore regarding final development and implementation of the integrated strategy.

as defined by regional participants.” <http://www.thinkvermont.com/workforce>. The Council, established in state and federal law of members appointed by the Governor and the Legislature, includes a business majority and chair, the chief officers of all the agencies and institutions that deliver workforce related programs, legislators, and labor.

²⁴ In an attempt to foster better coordination and communication among all pertinent agencies, the Governor created the Interagency Workforce Development Committee in January 2006. Membership on the Committee includes: The Commissioner of Labor, Chair; the Commissioner of Economic Development, Vice-Chair; The Deputy Secretaries of Administration and of Human Services, the Commissioners of Human Resources, of Children and Families, of Corrections, and of Education; and the Directors of Workforce Development and Vocational Rehabilitation. The Governor established the Committee to “oversee state workforce development efforts, analyze economic and labor market information, develop a seamless continuity of state-supported services, set priorities for the expenditure of public resources, identify all related funding sources, streamline grant management oversight, and coordinate employer outreach programs.” The Committee was directed to meet once monthly and to report quarterly, in writing, to the Governor and his cabinet. Unfortunately, the Committee has not even begun to address the deficiencies in communication and coordination. As of October 2006, it had not met under the new leadership of the Department of Labor and had not produced any written update or recommendation. See Attachment L for the full text of the Governor’s January 23, 2006 memorandum establishing the Committee.

²⁵ See Attachment I (*Building Skills*), pp.17-19.

II. Increased State Funding for Postsecondary Education and Training Through Scholarships, Loan Repayment, and Workforce Development Grants

More than two-thirds of the 25 occupations expected to grow the fastest in Vermont between now and 2012 will require postsecondary training. In contrast, 80 percent of the 25 occupations projected to decline during that period will require only a high school diploma or on-the-job training.²⁶ “The difference between the average wage of those with a high school degree and those with a college degree has risen 70 percent during a period when the supply of college-educated workers has increased. Some form of postsecondary educational credential is fast becoming the minimum needed to ensure a wage that can support a family.”²⁷

It is important to remember that higher education not only raises the earning potential of the students it graduates but is also a significant economic driver for the state. The University of Vermont is the fourth largest employer in Vermont with over 3,600 employees. The University generates over a billion dollars annually in direct and indirect economic activity. Last year, the University attracted over \$123,000,000 in research and grant funding. Over 90 percent of that funding came to Vermont from out-of-state sources, primarily the federal government.²⁸ The Chancellor’s Office of the Vermont State Colleges reports that it is the fifth largest employer in Vermont with over 2,100 employees and a total estimated economic impact of \$360,570,000. The private institutions of higher education in Vermont employ more than 6,300 people, representing annual salaries and benefits of \$223,000,000 and state income taxes of \$5,000,000.²⁹

In a state-by-state comparison, Vermont ranks 47th among the 50 states for the amount of money it appropriates per capita for higher education.³⁰ In fiscal year 2006, the national average was \$6.89 per \$1,000 of personal income; in Vermont, it was \$4.16. In fiscal years 2000 and 2001, Vermont’s state and local appropriations to its public institutions of higher education, as a percentage of the total revenues received by those institutions, was the lowest among all of the states and the District of Columbia (14.4 percent compared to a national average of 39.9 percent).³¹ “Resident and non-resident tuition and required fees at Vermont’s public institutions are among the highest among the fifty states. However, the increases in recent years have, for the most part, been less than those in other states.”³² There is little question that Vermont’s system of higher education is under-funded. Tuition costs are high at in-state public and private institutions³³, and students and their families are struggling to meet their expected family

²⁶ VSAC, *Making a Difference in Vermont’s Future* (October 3, 2006).

²⁷ Building Skills, Increasing Economic Vitality, p.1.

²⁸ Testimony of President Dan Fogel, University of Vermont, to the Next Generation Commission on September 26, 2006.

²⁹ Association of Vermont Independent Colleges, *The Economic and Educational Impact of the 16 Vermont Independent Colleges*, (September 26, 2006).

³⁰ Tom Mortensen, Postsecondary Education Opportunities, to VSAC Research, personal communication (Oct., 2006). The trend in state appropriations to higher education has been a downward one since FY97.

³¹ Vermont Higher Education Council, *Vermont Higher Education Data Book 2005*, p.58.

³² *Id.* at 66.

³³ In-state tuition and fees at UVM is \$11,182 per year. Tuition at the State Colleges ranges from \$4,284 to

contribution as determined by current federal financial aid guidelines.³⁴

Despite the cost of education, many Vermonters do attend Vermont colleges and universities. In the fall of 2005, Vermonters represented approximately 26.5 percent of the total number of students enrolled in private institutions in Vermont, 83.3 percent of the total number of students in the Vermont State Colleges, and 45.2 percent of the total enrolled at the University of Vermont.³⁵ Nevertheless, the Commission heard repeatedly that the cost of higher education was one of the factors causing Vermont students to move from the state.³⁶ In addition, some college-educated and college-bound Vermonters said they did or would seek jobs outside the state after graduation because of the perception that Vermont wages are insufficient to allow them to pay student loans. Many people reported, however, that the decision to move from the state for college or employment arose from a desire to experience life outside of the Green Mountain State.

Because of demographic shifts that will occur in the next 10-15 years, the postsecondary continuation rate will need to increase from its current level of 68 percent to a level of 90 percent by 2018 *simply to maintain* the same number of Vermont students who pursue postsecondary education.³⁷ Increasing the continuation rate among first-generation college students and low-income students is therefore essential. The availability of outside funding is crucial to their ability to continue.

As mentioned earlier, most workforce development funds come from federal sources and are tied to the administrative priorities of federal agencies, rather than to the workforce development needs or priorities of Vermont. Moreover, use of the money is not particularly flexible because the funding is restricted to particular populations or programs. As a result, many people who need postsecondary education and training are unable to access critical financial assistance to obtain it. More flexible funding sources (e.g., the WET Fund and VSAC non-degree grants) are seriously under-funded.

The Next Generation Commission took testimony from a wide variety of experts, including those with knowledge of economic development, workforce development, and higher education strategies employed in other states and countries. The Commission heard testimony on and considered, among other things: funding workforce development and training by “capturing” the additional taxes paid into the system by persons receiving higher wages due to a training program; funding workforce development and training by a taking a percentage of unemployment taxes paid to the state; requiring on the job training programs as part of the bidding process for all publicly funded construction projects; requiring that an investment of a certain amount of pennies for every hour

\$10,248. Tuition at Vermont private institutions ranges from \$14,900 to \$44,570.

³⁴ The National Center for Public Policy and Higher Education, *Measuring Up, The National Report Card on Education* (2004). <http://measuringup.highereducation.org>. It is not unusual for a Vermont student graduating from a Vermont college or university to have more than \$25,000 in education-related debt.

³⁵ *Higher Education Data Book 2005*, p.11.

³⁶ In 2004, approximately 57 percent of the Vermont freshman attending college went to an out-of-state institution. *Id.* at 20.

³⁷ VSAC, *Making a Difference in Vermont's Future* (October 3, 2006). *See also*, Vermont Department of Labor, *Preliminary Summary of 2004-2014 Occupational Employment Projections* (August 17, 2006).

worked on a state funded construction project be put into a training fund; authorizing bonding to fund scholarships and training programs and then using the taxes of newly trained workers to pay off the bond; tax increment financing; general fund dollars; tobacco fund dollars; changes to the Higher Education Trust Fund; and innovative programs from other states and countries including Iowa, Missouri, Kansas, Georgia, and Ireland.³⁸

The Commission is unified in its conviction that the Next Generation Initiatives must focus not only on Vermont's college-bound and college-educated citizens, but also on those seeking or in need of all types of postsecondary training and education. It is equally convinced that these initiatives will succeed only if significant public funds are committed annually to this purpose. It is essential that the cost of postsecondary education and training in Vermont be lowered for Vermonters.

Recommendation #2: Dramatically increase state funding for postsecondary education and training (scholarships, loan repayment, and workforce development) by implementing bold, innovative financing mechanisms.

The 2006 Legislature appropriated \$5,000,000 for Next Generation Initiative purposes for use in fiscal year 2007, fiscal year 2008, or both.³⁹ The Next Generation Commission proposes a plan for appropriating these funds in fiscal year 2007 in its Recommendation #3. In that Recommendation, it also proposes provisional, minimum appropriations for the following five years using a combination of general fund dollars and Strategic Contribution Funds ("Tobacco Fund" dollars). Next Generation funding should be divided among three main categories: scholarships for higher education, loan repayment programs for people working in targeted occupational sectors, and workforce training and development programs.

The Next Generation Commission is certain that its proposed funding in Recommendation #3 is insufficient to address the critical demographic shifts predicted in the coming decades. Components of the programs and funding initiatives studied by the Committee did not seem immediately appropriate to Vermont for a variety of reasons. But one thing is clear: If Vermont wants to remain economically viable and make the best use of its limited human capital, then it must commit itself to developing new and significant sources of revenue to support the initiatives outlined in this report.

The Commission urges the Governor and the General Assembly to consider both the funding initiatives reviewed by the Commission as well as any others they discover, and determine whether some version of these will fulfill Vermont's need to fund workforce education and training in an appropriately aggressive manner. It would be appropriate to direct the "Champion" proposed in Recommendation #1 to assume

³⁸ See, e.g., Attachment I (*Building Skills*), particularly the Kansas model and Attachment K (summaries of and links to programs in other states).

³⁹ See Attachment A.

leadership on this issue as an integral part of its other responsibilities.

In addition, in recognition of the University of Vermont's role as one of the primary economic engines of the state, the Commission urges the Governor, the Speaker, and the President Pro Tempore to consider devoting Next Generation Initiative funds to the University for research and development purposes at some point in the future. Although the Commission chose not to recommend funding for this purpose in its Recommendation #3, it would be an appropriate use of funds dedicated to "encourag[ing] Vermonters to live and work in Vermont."

Recommendation #3: Provide additional state funding for postsecondary education and training (scholarships, loan repayment, and workforce development grants) while developing the mechanisms in Recommendation #2.

1. The three categories. The Commission recommends that Next Generation funding be divided among three main categories that address different critical needs in Vermont: scholarships (to increase access to higher education); loan repayment programs for individuals working in targeted occupational sectors⁴⁰ (to encourage skilled workers to live in Vermont and work in growth areas); and existing workforce development programs that have the greatest impact in preparing unemployed and underemployed adults for skilled positions (to provide these Vermonters with the skills needed to be hired to fill existing jobs). Funding for these programs should increase annually.

a. Scholarships. The Commission recommends that one portion of the Next Generation Initiative funds be awarded in the form of scholarships for higher education in order to increase the number of Vermont students who receive aid and who therefore are able to attend a college or university in Vermont. VSAC should administer the program, which should be considered a "Vermont Scholarship for Vermont Students Attending Vermont Institutions of Higher Education." The following conditions should apply:

* **Who:** Vermont residents attending a public or private institution of higher education in Vermont.⁴¹

⁴⁰ The Vermont Department of Labor predicts that the "top 10 fastest growing occupations for 2014 are dominated by jobs in the health care, social assistance and information technology industries." See "Preliminary Summary of 2004-2014 Occupational Employment Projections," provided by the Department of Labor to the Next Generation Commission on August 17, 2006. Other sectors in which growth is expected include construction, sustainable ("green") technology, agriculture, and tourism.

⁴¹ The Commission believes in the value of portability inherent in most VSAC programs. Nevertheless, because the total amount of money allocated to the Next Initiative scholarship is so low, the Commission believes that it should be confined to those students attending Vermont schools. If the scholarships are restricted to Vermont institutions of higher education, however, it is incumbent on these schools to ensure that they have the physical capacity and the academic programs to accommodate additional Vermont students.

* **What:** The scholarships should be available for BA, BS, and Associates Degrees and for college credits not necessarily associated with a degree program. A portion of the scholarship money should be for need-based scholarships to enable dual enrollment by high school students in college courses.⁴²

* **Other:** This scholarship program should be in addition to, and not in lieu of, any other scholarship or grant available to the student.⁴³ The scholarship available to an individual student should not exceed \$5,000 per year. It should be need-based and should be contingent upon the student maintaining a grade point average that is at least as high as would be required to retain other scholarships in that institution. There should be no requirement that the student remain in Vermont upon graduation.⁴⁴

b. Loan Repayment. The Commission recommends that a second portion of the Next Generation Initiative funds be used to assist adults with education or training in targeted employment sectors to repay loans incurred to obtain that workforce-related education or training. The Legislature may determine that this program be administered jointly by the Commission on Higher Education Funding and the Workforce Development Council. It could instead perhaps be the responsibility of the Champion proposed in Recommendation #1, particularly the determination of the sectors to be targeted for loan repayment. Regardless of the identity of the administering body, the following should be required under this category of recipient:

* **Who:** Anyone who has graduated from postsecondary education or training, who has stayed in or come to Vermont, and who has obtained employment in Vermont related to the education or training

* **What:** Any postsecondary education or training course for which the student has taken a loan (from some source other than a family member or friend), including programs not leading to an industry-recognized certificate and also including graduate degree programs

* **Other:** The person must have a job in Vermont in a targeted employment sector.⁴⁵ Loan repayment should not exceed \$5,000 per year and could continue for up to three years if the grant recipient continues to work in the

⁴² See part III of this report for a more detailed discussion of dual enrollment programs.

⁴³ This is a key element of the Next Generation scholarship program because *it would allow Vermonters who can't afford to take any more loans to go to college. It effectively lowers the cost of tuition at Vermont institutions of higher education for Vermont students.*

⁴⁴ The Commission heard many compelling arguments against requiring Vermont residency after graduation as a criterion of receiving the scholarship including repeated claims that students would not accept scholarships if they had to make that serious a commitment before they have even begun their college education. The Commission viewed its scholarship proposal as a mechanism to increase the number of students attending college in Vermont. Its loan repayment proposal addresses the state's need to increase the number of educated workers living in Vermont.

⁴⁵ See footnote 40.

targeted career, but should not exceed 50 percent of the total amount of money borrowed for education or training plus interest.

c. Workforce Development. The Commission recommends that a percentage of the Next Generation Initiative funds be appropriated annually for workforce development purposes. The Commission proposes, at least initially, that this portion of the money be divided between the VSAC non-degree grant program and the WET Fund so that they are fully funded for the entire year.⁴⁶ Both programs are effective, flexible sources of financing for adults seeking necessary workforce education and training. These two programs provide a nice counterpoint to each other -- the WET Fund targets programs and workforce needs and the non-degree grants focus on individual needs. Moreover, these two programs can expand the number of unemployed and underemployed Vermonters they assist if given the financial resources to do so, regardless of the timely and coordinated progress of Recommendation #1 of this report.

In future years, recipients under this category might be expanded to include, for example, the 12 regional workforce investment boards (which received a total of \$137,600 in FY07, ranging from \$8,000 for some of the smaller boards to \$20,000 for the Chittenden WIB), career education initiatives in the elementary and middle schools, or programs such as CCV's Rise to the Challenge.⁴⁷ The key element is the State's commitment to spend the money wisely by coordinating funding for workforce development and training with those sectors of the Vermont economy needing skilled employees.

Regardless of what programs are assisted by this portion of the Next Generation Initiative funds, this money should be used to expand career training and education opportunities in Vermont. Grant recipients should be persons living in Vermont, regardless of whether they have met formal residency requirements. Money should be directed towards assisting unemployed, underemployed, and incumbent adult workers and high school students to obtain training and education that will enhance their employability or that will increase the number of skilled workers prepared to fill available jobs in Vermont.⁴⁸

⁴⁶ There are many barriers facing the adult who wishes to obtain postsecondary education or training. One of the most daunting is the maze of programs and services available and the lack of coordination or obvious connections among them. Equally overwhelming is finding the financial resources to pay for post secondary education or training. Although some external funding is available to the adult student, these resources are never enough to meet the demand. █

⁴⁷ See footnote 54.

⁴⁸ "Interviews with policymakers in leading states revealed that the policy strategies to promote career advancement fall into four broad groups:

- Redesigning financing for workforce development;
- Strengthening workforce development/economic development linkages;
- Building the capacity of workforce intermediaries; and
- Engaging community colleges in workforce development."

Attachment I (*Building Skills...*), p.4.

2. FY07 Funds. The 2006 Legislature appropriated \$5,000,000 to be distributed in fiscal year 2007, fiscal year 2008, or both after consideration of this Commission's recommendations.⁴⁹ The Next Generation Commission proposes that the entire \$5,000,000 be appropriated in fiscal year 2007 as follows:

* \$2,000,000 – Scholarships for Higher Education (of which amount \$500,000 should be for need-based scholarships enabling dual enrollment by high school students in college courses)

* \$1,500,000 – Loan Repayment Programs for Individuals Working in Targeted Sectors⁵⁰

* \$1,500,000 – Workforce Development (of which amount \$800,000 should be for VSAC non-degree grants and \$700,000 for the WET Fund)

3. FY08-FY12 Funds. For the five fiscal years of 2008-2012, funding for the three categories of Next Generation Initiatives should continue to be funded in roughly equal percentages to those in fiscal year 2007 and should be no less than the following amounts:

FY08	\$7,000,000	(\$5 M General Fund + \$2 M Tobacco Funds)
FY09	\$8,000,000	(\$6 M General Fund + \$2 M Tobacco Funds)
FY10	\$9,000,000	(\$7 M General Fund + \$2 M Tobacco Funds)
FY11	\$10,000,000	(\$8 M General Fund + \$2 M Tobacco Funds)
FY12	\$11,000,000	(\$9 M General Fund + \$2 M Tobacco Funds)

It is appropriate that Strategic Contribution Funds (Tobacco Fund dollars) be used as part of a need-based program to repay loans acquired in connection with education or training necessary for employment in the health care field. There is a direct link between undereducated / underemployed adults and smoking.⁵¹ Increased smoking puts pressure on the health care delivery system which adds to the need for additional skilled health care workers. If Tobacco Funds were used in connection with this initiative, the Commission proposes that the Area Health Education Centers and the Healthcare Workforce Development Partners would assist in the determination of the careers that should be targeted for loan repayment.

Perhaps the “Champion” proposed in Recommendation #1 of this report could be directed to assess, on a regular basis, which economic sectors should be targeted for loan repayment, which workforce training programs would most effectively use Next Generation funds, and how the Next Generation Initiative funds should be divided among the three categories.

⁴⁹ See Attachment A at Sec. 3.

⁵⁰ See Footnote 40.

⁵¹ Testimony of Kelly Stoddard, Coordinator of the Coalition for a Tobacco Free Vermont (December 7, 2006). Increasing the socioeconomic status of a group that is likely to smoke would, indirectly, help to lower the smoking rate – a clear purpose of the Tobacco Funds.

III. Raising Aspirations Through Career Awareness Education and Training in Elementary, Middle, and High School

Children whose parents have meaningful employment are more likely to be aware of career possibilities at an early age and to recognize the importance of postsecondary training and education.⁵² Although it is impossible to substitute school for the influence that home-life has on a child, it is crucial that Vermont's school readiness and K-12 educational systems strive to break the negative cycle of low aspirations, unemployment, and underemployment which is the reality of many Vermonters.

The Commission heard repeated testimony that middle school is often the last opportunity to “save” an at-risk student. It is at this age that students get into trouble more often, stop trying to succeed academically, and begin to make academic and other choices that may preclude opportunities in the future. Most students who choose not to pursue postsecondary education or training make that decision before entering ninth grade. Mentoring and job shadowing programs have a proven record of keeping middle school students excited and engaged in the process of learning.

There are successful career awareness, mentoring, and job shadowing programs in place for elementary and middle school students in Vermont.⁵³ The Commission also heard testimony about several initiatives, both private and public, designed to increase the aspirations of high school students.⁵⁴ Unfortunately, not all students have access to these programs, which occur mostly in Chittenden County or in isolated pockets throughout the state and which enjoy limited funding. As with economic development and workforce development, coordination of efforts among these initiatives would likely enable

⁵² On a related note, in 2005, 54% of Vermont high school seniors who planned to pursue postsecondary education had at least one parent with a four-year degree. Only 29% percent of the seniors who planned to pursue other activities upon graduation had at least one parent with a four-year degree. “Vermont Senior Survey: Class of 2005,” compiled by VSAC. See www.vsac.org and click on Reports, and then Senior Survey.

⁵³ For example, the non-profit organization Mobius supports existing and new mentoring programs in Chittenden County by, among other things, recruiting mentors from Vermont businesses. Its vision is a future where “[e]very young person in Chittenden County, from age 5-24, who needs or wants a mentor has one.” There are currently nearly 700 young people involved in Mobius-sponsored programs. See www.mobiusmentors.org.

Other examples include the Newbury Elementary School – Cold Regions Research & Engineering Laboratory partnership, which provides young students with experience in “hands-on” research projects, and the Irasburg Career Challenge program, which exposes eighth grade students to career options that they later share at a career fair attended by the younger students in the school.

⁵⁴ For example, Linking Learning to Life Inc. is a non-profit organization that impacts 5,000 – 6,000 students annually in Chittenden County by providing mentoring beginning at the elementary school level, community service opportunities in middle school, career exploration, job exploration and placement, and college access programs. Its program Learn to Earn encourages teens to consider careers in manufacturing, high-tech, and health care and emphasizes on how math, science, and technology are used daily on the job. See www.linkinglearningtolife.org.

Another initiative is CCV's Introduction to College Studies class, which is part of its Rise to the Challenge program. Upon satisfactory completion of the free 26-hour course, about strategies for success, students receive a voucher for a free college course at any of the five Vermont State Colleges. See Attachment M, a one-page description of the CCV Introduction to College Studies program.

expansion to other locations.

Technical education can also help raise the aspirations of students. Unfortunately, there are many reasons that students do not pursue technical education while in high school.⁵⁵ The apathy and low aspirations of these students is one explanation, while the stigma that is attached to technical education in many schools is another. The Commission repeatedly heard that many schools fail to encourage involvement with technical centers because the current funding mechanism creates financial disincentives for sending schools. In addition, scheduling issues often make it difficult for students to attend their home high school and also take classes at the nearest regional technical center. There also seems to be a pervading perception that the Department of Education is not strongly committed to technical education or to courses directed at motivating the disengaged student. Whatever the reason, the result is that too many graduating seniors, who do not plan to pursue secondary education or training, have not been offered or have not availed themselves of the training that would help prepare them to enter the skilled workforce. Modern career center training is something that a vast majority of students will eventually need, and will wish they had.

Dual enrollment programs permit students to earn high school and college credit simultaneously.⁵⁶ Enrollment in community college courses during high school offers positive rewards for many types of students. Some high school students need more skills to be successful in the workplace or in college or training programs. Other students seek an academic challenge not available at their high school. Some college bound students use the dual enrollment option to earn college credits while still in high school – making college less expensive and allowing them to complete their postsecondary education sooner and enter the workforce. The Commission heard testimony that many high school students (including those planning to attend college) who are capable of working hard academically instead choose to take a minimal or less-than-challenging course-load, especially during their senior year. These students should be encouraged to pursue dual enrollment opportunities to keep them in the learning mode for as long as possible, which will increase their chances of succeeding in postsecondary education. Despite increasing demand, dual enrollment is not an option for most students, often for financial reasons.

Every student should be fully engaged in the process of learning and preparing for his or her future during all 12 years of school.⁵⁷ For some high school students this might

⁵⁵ There are 15 technical center regions in Vermont served by 17 technical centers and four high schools. Approximately ten percent of the boys and five percent of the girls in the 2005 senior class were enrolled in technical centers, although approximately 25% of that graduating class took at least one technical center class during high school. “Vermont Senior Survey: Class of 2005,” compiled by VSAC. (www.vsac.org and click on Reports, and then Senior Survey.) Approximately 60% of the seniors enrolled in technical centers indicated an intention to pursue some form of post secondary training or education immediately after graduation. Many others intended to find employment in the field for which they had trained. Approximately 90% of all students enrolled in technical centers choose to remain in Vermont upon graduation. Testimony of Kathy Fink, Director of the Center for Technology - Essex, to the Next Generation Commission on September 19, 2006.

⁵⁶ See Attachment N for an overview of the status of dual enrollment in Vermont.

⁵⁷ “We must prepare our children for *life*, of which the workplace is an important part. We want intelligent,

mean enrolling in technical centers or community college classes. Other students might need encouragement to participate in a program such as CCV's Introduction to College Studies. The Commission is concerned that at many high schools, guidance counselors would more accurately be described as college counselors. Where this is true, it is essential that additional counseling, support, and perhaps even job placement services be provided for students who do not see themselves as "college material" or who wish to enter the workforce immediately after graduation. The Department of Education has a vital role to play in determining whether Vermont adapts to the demographic challenges it faces. The Governor and the Legislature must ensure that career awareness and preparation become departmental priorities.

Recommendation #4: Raise postsecondary aspirations by markedly increasing career awareness education beginning in the elementary schools. Continue exposure to careers and the need for postsecondary education and training in middle and high schools through technical education, school-to-work initiatives, internships, dual enrollment, and other similar efforts.

1. Embedded Career Awareness and Planning. The Next Generation Commission recommends that the Department of Education, in connection with the regional Workforce Investment Boards,⁵⁸ develop programs to embed career awareness within the K-12 curriculum. The curricula should include planning for career options, mentoring, and job shadowing during middle school and internships and other work experiences during high school. Career education should not be treated as an "add-on" but must be an integral part of all other teaching that occurs. It is crucial that children develop aspirations when they are young and that they have the guidance necessary to prevent them from inadvertently closing doors by making poor or uninformed academic choices. It is essential that career awareness extend beyond academic careers and beyond those that can be found in Vermont.

It is as much the business community's responsibility to have a presence in the classroom as it is the Department of Education's duty to make career education a priority. Employers must do more than decry the lack of skilled workers -- it is incumbent upon employers to make themselves and their employees available to the classroom. Good education, embedded career awareness, and increased aspirations will produce the sort of skilled workforce that will attract businesses to locate in Vermont and encourage educated people to move here.

In connection with this recommendation, the Commission urges that the

balanced young people coming out of our schools.... The very balance that a good educational system engenders will produce a worker who can learn, adapt and change, and balance family and community life while maintaining balanced productivity and mental vigor." Remarks of William Schubart, Chair of the Fletcher Allen Health Care Board of Trustees and Chair and CEO of Resolution, at the Human Resources Investment Council meeting of November 9, 2005.

⁵⁸ This would be possible only if funding for the WIBs is increased dramatically.

“Champion” proposed in Recommendation #1 of this report be directed to catalogue the positive programs around the state (e.g., career awareness, mentoring, job shadowing, internships, etc.) that are making a difference in the lives of young people and develop strategies to expand the efforts to other locations.

2. Counseling / Support for At-Risk Youth and Those Who Wish to Join the Workforce Immediately After High School. Increase support early-on for those students in elementary and middle school who are most at risk to drift through or drop out of high school. Provide more directed job training support for non-college-bound students to prepare themselves for jobs or postsecondary training after graduation. Provide counseling regarding postsecondary training. Provide job placement services for students seeking a job directly out of high school.

3. Technical Education. The Commission urges the Governor and the legislature to encourage participation by high school students in technical and career education. Possible actions include:

- a. Removing the financial disincentives for schools to send their students to attend regional technical and career centers.
- b. Making technical center courses available at times other than during the traditional school day (e.g., late afternoon, evening, weekends, and vacations) and allow students to be counted for education funding purposes regardless of when the program is being offered.
- c. Providing technical education courses at the high schools (during the traditional school day and at other times) – perhaps through “portable technical education classes.”
- d. Creating additional math and science opportunities at traditional high schools through hands-on technical education courses.

4. Dual Enrollment. The Next Generation Commission recommends that dual enrollment in areas colleges be made more easily available to *all* high school students who wish to take part. Dual enrollment opportunities not only help the college-bound student who seeks the challenge of college academics, but can also encourage an unmotivated student to realize that college or other postsecondary education is a possibility. A school might find additional resources to fund dual enrollment opportunities by replacing advanced placement courses with vouchers for college classes.

5. Full Course-Loads. Ensure that every high school senior takes a full load of courses and is better prepared for the competitive global economy by requiring four years of math, science, and social studies in addition to the current requirement of four years of English. If the student is not taking a full load of classes at the high school, then require dual enrollment classes at a local college, classes at the nearest technical center, or participation in an apprenticeship program, internship, or other approved alternative.